

Transportation Revenue Summary for the September 2008 Forecast

Motor Fuel Tax Revenues

The September motor fuel tax forecast is projected to be slightly lower (0.32%) in the current biennium when compared to the forecast prepared in June. That translates into a \$8.0 million decrease in the current 2-year budget period for revenue from motor fuel taxes. Higher actual fuel prices, lower actual gas tax collections and sluggish projected economic growth next year, as measured by state real personal income, are the principal factors in the projected lower revenue. Retail gasoline prices are predicted to be about 5% lower in fiscal year 2009 and 1.1% higher in fiscal year 2010 than projected in June. Slower projections for real personal income growth since the June forecast reflect the weaker U.S. economic outlook forecast by Global Insight. The impacts of higher fuel prices and slower economic growth are also projected to continue beyond the current 2-year budget period. For the 2009–11 biennium, motor fuel tax revenues are projected to be approximately \$2.7 billion, which is 0.82% or approximately \$22 million less when compared to the June forecast. When you consider the impact that these changes have to the 16-year time period, the overall reduction in motor fuel tax revenue is about 2.3% or \$620 million dollars when compared to the June 2008 revenue forecast.

Non-highway refunds for gasoline have remained fairly static since the June forecast, showing only a slight increase of 0.13%, while those for diesel have decreased by 3.4%. The decrease in diesel refunds is due to reduced biodiesel production and refunds since April 2008.

Licenses, Permits and Fees Revenues

The September forecast of revenue from licenses, permits, and fees is unchanged in the current biennium. The forecast is .13% higher than the June forecast, due largely to higher collections at the end of Fiscal Year 2008. The lower forecast of personal income growth results in a lower forecast from licenses, permits, and fees in the next biennia, however. The forecast is .93% lower than the June forecast for next biennium. Softer vehicle sales expectations and the impact of slower economic growth translate into an estimated reduction in revenue from licenses, permits, and fees in the current biennium of approximately \$8.9 million in the next biennium. Over the 16-year time period, the forecast is approximately 1.1% lower than the previous forecast prepared in June.

Ferry Fare Revenue

Beyond the current fiscal year, the September Washington State Ferries ridership demand forecasts reflect lower ridership demand over the forecast horizon due to downward revisions to real personal income and an upward revision to real gasoline prices. Real personal income is marginally higher for the remainder of fiscal year 2009 compared with June; however it is 0.8% lower in the out-years. Near term, real gasoline prices are predicted to be slightly lower. However from fiscal year 2011 to 2025, they are expected to be at least 10% higher than the June forecast and as much as 27% higher in fiscal year 2015. Higher real gas prices cause vehicle ridership demand to decrease. Inflation is projected to be slightly higher, relative to June, causing the real fares to be marginally lower, which tends to push ridership up. The combined effects of the economic projections yield lower ridership projections over the forecast horizon. In the outer years of the forecast horizon, projected vehicle demand regularly exceeds available vessel capacity on several routes under the current service assumptions, especially in the summer.

Including actual revenue collections through July 2008, revenue for fiscal year 2009 is projected to total \$150.9 million, or \$3.2 million (2.2%) higher than forecast in June with essentially no change in ridership. \$2.9 million of this increase is due to a one time adjustment to correct an overstated liability in 2008. Overall fare revenue for the 2007–09 biennium is projected to be \$299.3 or \$4.3 million (1.5%) higher than the June forecast. Further out in the forecast horizon, the revenue projections revert back to, or even slightly exceed, the June levels due to a diminishing gas price differential and a higher employment forecast.

Tacoma Narrows Bridge Toll Revenues

The September Tacoma Narrows Bridge Toll revenue forecast incorporates new short-term traffic projections developed by the traffic and revenue consultant for the Tacoma Narrows Bridge. Average daily traffic is assumed to grow 1.3% from FY09 to FY10. Growth in 2011 and 2012 is assumed to be 3.4% and 2.5% respectively. Forecasted traffic beyond 2012 remains unchanged.

Toll collection for the Tacoma Narrows Bridge began on July 16, 2007. Participation in Electronic Toll Collection (ETC) is estimated at a high 75% for weekday traffic, the average currently being experienced, up from 57% on opening day. From July 16, 2007–June 30, 2008, the tolls were \$1.75/ETC per 2-axle vehicle and \$3.00/cash per 2-axle vehicle with per axle proportional tolls for multi-axle vehicles. Discounted rates apply for multi-axle vehicles with ETC. Toll rates for FY09 are \$2.75/ETC per 2-axle vehicle and \$4.00/Cash per 2-axle vehicle.

Total revenue (toll revenue plus transponder revenue) is projected to be 0.5% higher in the current biennium than was forecast in June due to higher than expected demand for transponders, even though the traffic estimates are lower. Total revenue for the 2009-11 biennium is also projected to be 0.5% higher than predicted in June.

Aeronautics Revenues

The aviation fuel forecast is adjusted higher in the September forecast (2007–09 \$201,465 or 3.56%) largely due to higher than expected actual revenue collection. As a result near term forecast is slightly higher but the out years are essentially unchanged. Other aeronautics revenues are relatively unchanged since the last forecast.

Rental Car Tax Revenue

The forecast for the 2007–09 biennium was increased \$0.2 million to \$47.4 million and the forecast for the 2009–11 biennium was decreased \$0.2 million to \$47.1 million. Along with positive variance from the June forecast, the increase in revenues for the current biennium was due to the offsetting effect of the higher September Global Insight personal income forecast in the near term compared to the higher forecast for the unemployment rate. The 2009–11 biennium decrease was due to the lower personal income forecast for the period along with a higher forecast of the unemployment rate. Despite a higher Global Insight unemployment rate throughout the forecast, revenues after the 2011–13 biennium were raised \$0.6 to \$1.0 million per biennium due to higher projected personal income.

Vehicle Sales Tax Revenue

The forecast for the 2007-09 biennium was decreased \$2.1 million to \$67.4 million. This was due to a sharp drop in the Global Insight forecast of the near term growth rate of new and used vehicle sales and leases along with negative variance from the June forecast of \$0.9 million. Revenues for 2009–11 were forecasted to be down \$1.0 million while 2011–13 was down \$3.2 million due to a revision in the forecasted pattern of growth. Stronger personal income growth for Washington State compared to the nation mitigated the drop in revenues slightly.

Driver Licenses and Other Related Fees Revenues

The September forecast of revenue to the Highway Safety Account is 1.0% (\$1.5 million) higher in the current biennium than the revenue forecasted in June. Most of the increase is due to higher actual in FY08 in driver license activities. Forecast in out years is slightly lower throughout the forecast horizon. We made no changes to the forecast of enhanced driver licenses (EDL), which is still capacity constrained. Currently a total of 14 offices are issuing EDLs, with Renton being the newest addition already incorporated in the June forecast. We should note that a national ad campaign kicks off this month, promoting the new travel requirements under the Western Hemisphere Travel Initiative (WHTI). This ad features Washington State's EDL. We will watch closely whether this ad will significantly increase demand in EDL.

Copies of Records

The 2007–2009 biennium is 7.7% (\$120,000) lower than forecasted in June. FY08 was lower than forecast due to a large refund in the month of June. The July revenue in commercial activity was high and appears to have offset the June refund. As a result the forecast in the near term is unchanged while forecast in the out years is moderately lower.

Motorcycle Safety

The 07–09 Biennium revenue is 10% (\$361,300) higher than the June forecast due to more than expected exams, permits and original endorsements. We expect this higher level of activities to continue in the near term and echo in out years following the five-year renewal cycle.

Miscellaneous Revenues

The September Motor Vehicle Account miscellaneous revenue forecast for the current biennium has been increased \$90,000 (0.6%) from the level projected in June as a result of updates based on actual revenue through August. The forecast for the 2009–11 biennium has been decreased by \$330,000 (2.4%) because many ongoing contracts were paid off in FY08 and installment payments will not occur in the near future.

The September forecast for Washington State Ferries miscellaneous revenue in the current biennium is unchanged from the June forecast.

Federal Funds

The September forecast for Washington's apportionment of Federal Highway Trust Fund receipts includes the January 30, 2008, apportionment notices for federal fiscal year 2008 and the adjustment to federal fiscal year 2008 obligation authority contained in the SAFETEA-LU technical corrections bill passed by Congress on April 17th. Total Federal-aid highway program obligation authority for Washington State in federal fiscal year 2008 is \$624 million. The September forecast for federal fiscal year 2009 has been adjusted by removing the 2009 rescission to reflect the \$8 billion transfer into the highway trust fund. Total Federal-aid highway program obligation authority for Washington State in federal fiscal year 2009 is \$661 million. The September forecast for FFY 2010 and beyond remains unchanged.

Forecast to Forecast Comparison for Transportation Revenues and Distributions September 2008 • millions of dollars									
	Current Biennium			2009-11			16-Year Period (2007-2023)		
	2007-09								
	Forecast Sept 08	Change from June 08	Percent Change	Forecast Sept 08	Change from June 08	Percent Change	Forecast Sept 08	Change from June 08	Percent Change
Sources of Transportation Revenue									
Motor Vehicle Fuel Taxes	2,524	(8)	-0.3%	2,678	(25)	-0.9%	23,574	(547)	-2.3%
Licenses, Permits and Fees	934	1	0.1%	958	(9)	-0.9%	8,343	(79)	-0.9%
Ferry Fares	299	4	1.5%	317	(3)	-0.9%	3,164	(13)	-0.4%
Toll Revenue*	76	0.4	0.5%	121	1	0.5%	1,338	9	0.7%
Aeronautics Revenues	6	0.2	3.5%	6	0	0.2%	54	0.3	0.5%
Rental Car Tax	47	0.2	0.3%	47	(0.2)	-0.5%	490	4	0.8%
Vehicle Sales Tax	67	(2)	-3.0%	72	(1)	-1.3%	738	(10)	-1.4%
Driver Licenses and Other Driver-Related Fees	155	2	1.2%	162	0.3	0.2%	1,366	(3)	-0.2%
Miscellaneous Revenues	22	(0.1)	-0.4%	21	(0.4)	-1.9%	192	(1)	-0.5%
Total Revenues	4,132	(2)	0.0%	4,383	(37)	-0.8%	39,259	(641)	-1.6%
Distribution of Revenue									
Motor Fuel Tax Refunds and Transfers	135	(3)	-1.9%	136	(0.4)	-0.3%	1,261	(17)	-1.3%
State Uses									
Motor Vehicle Account (108)	1,077	1	0.1%	1,097	(12)	-1.0%	9,627	(165)	-1.7%
Transportation 2003 (Nickel) Account (550)	352	(1)	-0.2%	370	(3)	-0.8%	3,246	(71)	-2.1%
Transportation 2005 Partnership Account (09H)	525	(1)	-0.2%	614	(5)	-0.8%	5,333	(121)	-2.2%
Multimodal Account (218)	243	(1)	-0.5%	250	(3)	-1.1%	2,374	(20)	-0.8%
Special Category C Account (215)	49	(0.1)	-0.3%	50	(0.4)	-0.9%	444	(11)	-2.3%
Puget Sound Capital Construction Account (099)	35	(0.1)	-0.3%	37	(0.3)	-0.9%	323	(8)	-2.3%
Puget Sound Ferry Operations Account (109)	366	4	1.1%	387	(4)	-0.9%	3,790	(26)	-0.7%
Tacoma Narrows Bridge Account (511)	76	0.4	0.5%	121	1	0.5%	1,338	9	0.7%
Aviation Account (039)	6	0.2	3.5%	6	0	0.2%	54	0.3	0.5%
State Patrol Highway Account (081)	323	(2)	-0.5%	337	(4)	-1.2%	2,939	(40)	-1.3%
Highway/Motorcycle Safety Accts. (106 & 082)	155	2	1.2%	162	0.3	0.2%	1,366	(3)	-0.2%
Freight Mobility Investment Account (09E)	6	0	0.0%	6	0	0.0%	48	0	0.0%
Air Pollution Control Account (216)	4	0.1	1.6%	n/a	n/a	n/a	4	n/a	n/a
Vessel Response Account (07C)	1	0	1.6%	n/a	n/a	n/a	1	n/a	n/a
Total for State Use	3,218	3	0.1%	3,439	(30)	-0.9%	30,887	(455)	-1.5%
Local Uses									
Cities	190	(1)	-0.3%	197	(2)	-0.9%	1,733	(42)	-2.3%
Counties	323	(1)	-0.3%	335	(3)	-0.9%	2,950	(70)	-2.3%
Transportation Improvement Board (112 & 144)	199	(1)	-0.3%	207	(2)	-0.9%	1,817	(44)	-2.3%
County Road Administration Board (102 & 186)	67	(0.2)	-0.3%	69	(1)	-0.9%	611	(15)	-2.3%
Total for Local Use	779	(2)	-0.3%	808	(7)	-0.9%	7,111	(170)	-2.3%
Total Distribution of Revenue	4,132	(2)	0.0%	4,383	(37)	-0.8%	39,259	(641)	-1.6%

* 2007-09 is the first biennium to include Tacoma Narrows Bridge toll revenue.

Current Forecast and Legislative Baseline Comparison for Transportation Revenues September 2008 • millions of dollars									
	Current Biennium			2009-11			16-Year Period (2007-2023)		
	2007-09								
	Sept 2008 Forecast	Change from Baseline*	Percent Change from Baseline	Sept 2008 Forecast	Change from Baseline*	Percent Change from Baseline	Sept 2008 Forecast	Change from Baseline*	Percent Change from Baseline
Sources of Revenue									
Motor Vehicle Fuel Taxes	2,524	(63)	-2.4%	2,678	(119)	-4.3%	23,574	(1,050)	-4.3%
Licenses, Permits and Fees	934	(7)	-0.7%	958	(24)	-2.5%	8,343	(186)	-2.2%
Ferry Fares†	299	(2)	-0.8%	317	(12)	-3.5%	3,164	(72)	-2.2%
Toll Revenue	76	(2)	-2.0%	121	(5)	-4.3%	1,338	(7)	-0.5%
Aeronautics Revenues	6	0.1	1.1%	6	(0.2)	-3.4%	54	(1)	-1.3%
Rental Car Tax	47	0.4	0.8%	47	(2)	-4.0%	490	(4)	-0.7%
Vehicle Sales Tax	67	(7)	-9.6%	72	(9)	-11.0%	738	(26)	-3.4%
Driver Licenses and Other Driver-Related Fees	155	0.5	0.3%	162	(3)	-1.5%	1,366	(18)	-1.3%
Miscellaneous Revenues	22	2	10.9%	21	0.4	1.8%	192	12	6.8%
Total Revenues	4,132	(78)	-1.9%	4,383	(174)	-3.8%	39,259	(1,352)	-3.3%

* 08LEG - Conference draft 4/15/08

† Scenario #2 – 2.5% fare increases each October, 2009 through 2024.

Components may not add due to rounding.

Historical and Forecast Projections for Petroleum Prices

September 2008 Revenue Forecast

Washington Retail Gasoline ¹				Washington Retail Diesel ¹				Crude Oil - Price per Barrel ²						
		Optimistic	Baseline	Pessimistic			Optimistic	Baseline	Pessimistic			Optimistic	Baseline	Pessimistic
Fiscal Year 2008	Jul-2007		3.05				3.05					74.12		
	Aug-2007		2.88				3.15					72.36		
	Sep-2007		2.92				3.13					79.91		
	Oct-2007		3.05				3.46					85.80		
	Nov-2007		3.27				3.74					94.77		
	Dec-2007		3.21				3.60					91.69		
	Jan-2008		3.17				3.51					92.97		
	Feb-2008		3.18				3.56					95.39		
	Mar-2008		3.51				4.03					105.45		
	Apr-2008		3.64				4.33					112.58		
	May-2008		3.91				4.70					125.40		
	Jun-2008		4.33				4.90					133.88		
Annual Average			3.34				3.76					97.03		
Fiscal Year 2009	Jul-2008		4.36				4.92					133.37		
	Aug-2008		4.07				4.64					116.67		
	Sep-2008	3.76	3.89	3.91	4.62	4.79	4.81	112.58	115.42	116.36				
	Oct-2008	3.50	3.69	3.83	4.34	4.58	4.76	95.82	111.46	117.90				
	Nov-2008	3.54	3.74	3.88	4.42	4.67	4.86	98.27	114.32	120.92				
	Dec-2008	3.57	3.77	3.91	4.38	4.62	4.81	99.91	116.22	122.93				
	Jan-2009	3.41	3.65	3.92	3.98	4.24	4.56	94.96	110.22	122.52				
	Feb-2009	3.43	3.66	3.94	4.21	4.50	4.84	96.49	112.00	124.50				
	Mar-2009	3.50	3.74	4.02	4.38	4.67	5.03	98.02	113.78	126.48				
	Apr-2009	3.55	3.86	4.20	4.31	4.68	5.10	95.20	110.50	124.00				
	May-2009	3.57	3.88	4.22	4.29	4.67	5.09	95.20	110.50	124.00				
	Jun-2009	3.57	3.89	4.23	4.27	4.65	5.06	95.20	110.50	124.00				
Annual Average		3.65	3.85	4.04	4.40	4.64	4.87	102.64	114.58	122.80				
FY 2010	July -Sept	3.43	3.73	4.10	4.25	4.63	5.11	93.91	109.00	124.50				
	Oct - Dec	3.25	3.54	3.90	3.99	4.34	4.80	92.62	107.50	124.01				
	Jan - Mar	3.21	3.49	3.85	3.82	4.15	4.59	92.29	106.00	122.51				
	Apr - June	3.65	3.97	4.39	4.22	4.59	5.10	93.27	106.00	122.51				
	Annual Average	3.39	3.68	4.06	4.07	4.43	4.90	93.02	107.13	123.38				
FY 2011	July -Sept	3.50	3.81	4.20	4.28	4.66	5.17	96.82	109.00	125.51				
	Oct - Dec	3.38	3.67	4.04	4.06	4.42	4.88	99.49	112.00	128.51				
	Jan - Mar	3.39	3.68	4.04	3.97	4.32	4.77	101.29	114.00	130.51				
	Apr - June	3.85	4.18	4.57	4.40	4.79	5.27	101.29	114.00	129.51				
	Annual Average	3.53	3.83	4.21	4.18	4.55	5.02	99.72	112.25	128.51				

Shading = Actuals; No shading = Forecast

¹ Washington retail price per gallon for gasoline is for all Grades. Both gasoline and diesel retail prices include state and federal taxes

² U.S. West Texas Intermediate Crude

SOURCES:

Retail Gasoline:

Actuals are collected from Energy Information Administration (EIA) survey of retail prices for all grades of gasoline in Washington conducted each Monday.

Forecasted prices are determined from Global Insight's September 2008 forecast of quarterly U.S. retail prices for all grades of gasoline adjusted for Washington's taxes compared to U.S. taxes.

Forecasted monthly prices are calculated from the relative monthly contribution toward quarterly prices taken from the series of U.S. gasoline prices published by the September 2008 EIA Short-Term Energy Outlook (STEO).

Retail Diesel:

Actuals are collected from AAA's publication of retail prices for diesel in Washington conducted Monday of each week.

Forecasted prices are determined from Global Insight's September 2008 forecast of producer price index for refined petroleum products.

Forecasted monthly prices are calculated from the relative monthly contribution toward quarterly prices taken from the series of U.S. diesel prices published by the September 2008 EIA STEO.

West Texas Intermediate (WTI) Crude:

Actuals are collected from Global Insight's September 2008 series for U.S. prices for WTI crude.

Forecasted prices are determined from Global Insight's September 2008 forecast of WTI crude.

Forecasted monthly prices are calculated from the relative monthly contribution toward quarterly prices taken from the series of U.S. WTI crude prices published by the September 2008 EIA STEO.

Historical and Forecast Projections for Washington State Ferry Diesel Fuel Prices

Ex-tax price per gallon • September 2008 Revenue Forecast

Washington State Ferry Diesel Fuel ³			
	Optimistic	Baseline	Pessimistic
Fiscal Year 2008	Jul-2007	2.29	
	Aug-2007	2.25	
	Sep-2007	2.35	
	Oct-2007	2.75	
	Nov-2007	2.86	
	Dec-2007	2.66	
	Jan-2008	2.52	
	Feb-2008	2.80	
	Mar-2008	3.26	
	Apr-2008	3.54	
	May-2008	3.87	
	Jun-2008	3.93	
Annual Average		2.90	
Fiscal Year 2009	Jul-2008	4.02	
	Aug-2008	3.85	4.02
	Sep-2008	3.77	3.94
	Oct-2008	3.49	3.73
	Nov-2008	3.57	3.82
	Dec-2008	3.53	3.77
	Jan-2009	3.12	3.39
	Feb-2009	3.36	3.65
	Mar-2009	3.52	3.83
	Apr-2009	3.45	3.84
	May-2009	3.44	3.82
	Jun-2009	3.42	3.80
Annual Average		3.55	3.81
FY 2010	July -Sept	3.40	3.79
	Oct - Dec	3.12	3.48
	Jan - Mar	2.95	3.29
	Apr - June	3.36	3.75
	Annual Average	3.21	3.58
FY 2011	July -Sept	3.42	3.82
	Oct - Dec	3.20	3.56
	Jan - Mar	3.11	3.46
	Apr - June	3.54	3.95
	Annual Average	3.32	3.70

Shading = Actuals; No shading = Forecast

³ Ex-tax price per gallon

SOURCES:

Washington State Ferry Diesel Fuel:

Monthly actual prices are supplied by WSF.

Forecasted prices are determined from Global Insight's September 2008 forecast of producer price index for refined petroleum products.

Forecasted monthly prices are calculated from the relative monthly contribution toward quarterly prices taken from the series of U.S. diesel prices published by the September 2008 EIA STEO.